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Albania: Prospects for Western Contacts in the Coming
Transition PeriodSUMMARY

Since it broke close political and economic ties with the PRC in 1978, Albania has pursued gradual and selective contacts with other countries, most of them West European, while continuing its open hostility toward both the United States and the Soviet Union. This measured opening to the West has been economically motivated and so far has had little discernible impact on the regime's ultra-orthodox internal policies. Given the regime's self-imposed limits on outside contacts, there is likely to be no dramatic change in this policy--nor any significant improvement in Albania's underdeveloped economy--during the final stages of the 40-year Hoxha regime and at least for the near term under a successor government. Over the next couple of years, however, the USSR and its East European allies can be expected to step up their efforts to regain influence in Tirane as the leadership turnover draws nearer. [redacted]

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This memorandum was prepared by [redacted] East European Division, Office of European Analysis. Comments and questions are welcome and should be addressed to [redacted] Chief, East European Division, Office of European Analysis, [redacted]

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Introduction

When Hoxha broke with the PRC in 1978, most experts agreed that Albania--the most isolated and backward country in Europe--would either have to find another Communist benefactor to help it sustain even minimal economic growth or else seek broadened trade relations with a range of developed countries. Most accurately predicted that Party Leader Enver Hoxha would not respond to conciliatory overtures from Moscow, with which he had dramatically severed all ties seventeen years earlier. While Albania's slow outward movement over the past few years has involved a few East European neighbors and several key LDCs--such as Libya, Iran, and Algeria--most of its energies have been directed toward closer trade links with developed countries of Western Europe. [redacted]

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Channels to the West

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Although the precise mechanics of Albanian decisionmaking are unclear, it is likely that Hoxha himself sanctioned or at least has tolerated Tirane's policy toward the West. [redacted]

[redacted] Although Hoxha has withdrawn from the day-to-day management of Albania's affairs, it is unlikely that his subordinates would pursue policies sharply at variance with his wishes. Hoxha's few public statements on the subject in recent years--such as his address to the 1981 party congress--have shown somewhat greater flexibility on such contacts than in the past. [redacted]

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There seems little doubt that Albania seeks Western contacts primarily to obtain technology. Apart from technology needs, the Western industrialized world represents a natural trading partner for Albania, a less-developed country with a percapita income of roughly \$900. Publicly-announced trade agreements invariably involve the exchange of Albanian raw materials for an ever increasing volume of Western industrial goods. Since 1981, Tirane apparently has purchased entire turn-key plants from firms in Belgium, Italy, and West Germany. [redacted]

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Although we lack direct information on the Albanian leadership's thinking, we believe a number of other factors reinforce Tirane's cautious rapprochement with the West Europeans:

- Politically, Tirane apparently is more comfortable with West European contacts than with links to developed states elsewhere. The Albanian press, which is tightly controlled by the leadership, shows that the Albanians view all Europeans as targets of superpower connivance. Moreover, it is likely evident to Tirane that the West Europeans are more independent of their superpower ally than the countries of the Eastern bloc are of theirs. [redacted]
- Ideologically, Tirane is concerned about the influence of Western culture on its youth but it may very well view contacts with East European Communists who have drifted away from the basics of Marxism-Leninism as a greater threat to Albanian orthodox Communism. The Albanian press spends as much time attacking Communist

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"revisionists" as Western capitalists. [redacted]

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- From the standpoint of national security, Albania has long feared that Yugoslavia, which maintains good relations with many Western countries, wants to dominate its affairs. Tirane, therefore, may also view its own ties with Western Europe as potential leverage against Belgrade in any future conflict. [redacted]

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Recent Exchanges

In recent years, Tirane has hosted visits by a variety of West European officials and trade delegations. Albania has concentrated its attention on Greece and Italy, but has also intensified dialogue with Turkey and West Germany—a country with which it does not yet have diplomatic relations. The most important recent contacts have been with: [redacted]

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Greece. Tirane's relations with Athens continue to improve, despite tensions over the Greek minority in Albania and a technical state of war between the two countries. Early last December, Greek Alternate Foreign Minister Papoulias—returning a visit by his Albanian counterpart to Athens last spring—traveled to Albania to sign agreements on cultural exchanges, transportation, and trade. In October, an Albanian delegation led by a senior Trade Ministry official traveled to Greece for talks with government and industry officials, and in January 1985 the Albanian Foreign Trade Minister went to Athens to meet with senior economic officials. The two countries recently opened two border crossings, and agreed to establish a ferry link between Albania and the Greek island of Corfu. [redacted]

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Italy. The Albanian Deputy Foreign Minister's December visit to Rome followed by only three months a meeting between the Italian and Albanian Foreign Ministers at the UN. In February 1985, the Albanian Cultural Minister and Italian Foreign and Cultural Ministers met in Rome to promote broader cultural ties. Italian officials told US diplomats last July that Italian firms are negotiating to supply industrial plants for Albania's steel, chemical, and mining sectors, and that one firm had initialed an agreement to overhaul the telephone systems in Tirane and two other Albanian cities. [redacted]

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West Germany. In August, Bavarian Premier Franz Josef Strauss went to Albania on what was described as a tourist visit. [redacted]

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[redacted] the press reported that he met with the Albanian Deputy Premier. US diplomats report that officials from both countries met in Vienna last November to discuss establishing diplomatic relations. Bonn reportedly has offered economic and technical cooperation, but rejects any agreement until Tirane drops its demands for war reparations. [redacted]

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Turkey. In mid-February, Turkish Minister of State Mustafa Tinnaz Titiz went to Tirane to sign a new trade protocol. The visit revitalized the relationship, which had been cordial but low-key since last February when, according to the US Embassy in Ankara, Albanian Deputy Foreign Minister Plaka visited Turkey to discuss trade and the renewal of a cultural exchange

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agreement. []

Albania also has shown increased flexibility on the issue of Albanian gold—currently worth about \$35 million—held by the US, UK, and France since World War II. According to diplomatic reporting, Tirane for the first time in early 1983 established a regular dialogue on the issue with the United States and United Kingdom through French intermediaries. Late last month, the regime agreed to face-to-face negotiations with the UK, which will represent US interests. It finally dropped its longstanding demand that the gold be returned before Albania would discuss Western compensation claims for property seized or destroyed by the post-war Communist regime. []

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Limitations

Despite these widening contacts, Tirane is still bound by many of its own ideological restrictions on relations with the West. The regime refuses to accept Western trade credits—a policy enshrined in the constitution—which limits Albania to countertrade or "pay-as-you-go" trade arrangements. According to diplomatic reporting, the Albanians do not concede the need for Western companies to make a profit, and seem incredulous that a Western company could operate outside government control. The limited variety of Albanian goods potentially saleable in Western markets—mostly raw materials and foodstuffs—also restricts Tirane's ability to expand trade ties. []

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Recent developments suggest that the leadership is concerned that the economy has been unable to absorb Western industrial goods and know-how. In late December, an editorial in the main party daily complained that Albanian industry was not properly using acquired technology and went on to criticize officials still pushing for more. []

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Published trade figures—though not available for all of Albania's trade partners—suggest that the economy has had to absorb a steadily increasing volume of Western industrial goods and machinery. While figures for total trade with Albania's major Western partners have fluctuated over the period 1981-1984, Albanian imports of machinery and manufactures apparently have increased continuously. Italy, which is Tirane's main Western trading partner, reported a 60 percent increase in deliveries of such goods from 1981-83 and an estimated 35 percent increase in 1984. France has reported similar trends, including an estimated 75 percent growth in manufactured exports in 1984. []

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Albania: Trade with Industrial Countries (million US \$)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984^a</u>
Exports	108	98	121	121	100	110
Imports	79	80	108	137	104	114

^aPreliminary estimate

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Imports of technology, however, have not spurred flagging economic growth, and current investment and industrial output figures deepen the impression of absorption problems. According to published official figures, industrial production grew only 3.3 percent in 1984, well below both the planned level of 8.5 percent and actual growth rates from 1975 to 1982. By our calculation, investment—targeted for growth of 3.6 percent—fell 8 percent in 1984, indicating that the economy is having trouble introducing new plants and equipment. [REDACTED]

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The 1985 plan again places a major burden on investment in technology to increase worker productivity, which in turn is predicted to account for 50 percent of planned economic growth. The new plan calls for growth rates lower than the 1984 plan in industrial output and investment—6.2 percent and 3 percent respectively—probably reflecting in part a growing recognition among planners of absorption problems. [REDACTED]

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USSR and Eastern Europe

The Soviet Union and its Eastern allies have long recognized the potential political utility of a friendly government in Tirane as well as the clear strategic value of Albanian ports to Warsaw Pact interests in the Mediterranean. Their efforts to woo Albania back into the Soviet fold have picked up as Hoxha, who is now 76, has aged and will likely intensify even more over the next few years. On occasion, top Soviet leaders have courted Albania in their public statements—including General Secretary Gorbachev last summer—and the Moscow press is following suit. [REDACTED]

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In the past two years, Bulgaria, along with East Germany, has spearheaded the continuing Soviet bloc effort to reduce Albanian hostility. Bulgaria is well suited to play this role because both Sofia and Tirane share problems with Belgrade over treatment of national minorities. Tirane now seems to be allowing some expansion in its ties with Sofia, although with characteristic caution. In April 1984, the countries signed an agreement calling for a 7-percent increase in bilateral trade—after a drop of 19 percent from 1982 to 1983. In December, according to the US Embassy in Sofia, Bulgarian Deputy Foreign Minister Ganev was believed to be in Tirane, presumably conducting business with the Albanians; if true, the visit would be the highest level exchange in two decades. The Albanian press, moreover, appears to have muted the attacks on Bulgaria that characterized its approach only a year ago. [REDACTED]

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Tirane, however, continues to reject overtures from other East European countries. The Albanian press has not reciprocated conciliatory statements made by some East European media on the occasion of the regime's fortieth anniversary. [REDACTED]

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Looking Ahead

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Albania's world outlook has been shaped by centuries of hard experiences at the hands of neighbors—Turks, Serbs, Greeks, Italians, and Montenegrins.

More recently, its two lengthy close alliances with big powers—the Soviet Union and China—came to sour endings. It is likely to continue to approach foreign contacts warily, even after Hoxha's death. []

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At the same time, Tirane's modest upturn in ties with some West European and Third World countries has yielded some benefits. A new regime may feel more confident in pursuing such contacts without fear of sacrificing its independence or making major domestic adjustments. It will be increasingly hard to advance such a policy, however, without allowing more Western cultural and ideological influences to reach the population. Even during times of greater isolation, Tirane has expressed concern about such influences, especially on the youth. []

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Succession Scenarios

As long as Hoxha remains in control, the status quo is likely to prevail. The search for Western technology will promote more trade and technical agreements with developed countries, but they will continue to have negligible impact on the regime's iron grip on domestic politics. Hoxha will not permit resumption of ties with either the United States or the Soviet Union and he will likely continue to view his Warsaw Pact neighbors largely as stalking horses for Moscow. In a perceived crisis, moreover, Hoxha would undoubtedly sacrifice the economic benefits of any existing external contact to preserve his absolute power. []

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There are few clear indications what direction any post-Hoxha regime would take in domestic policy. Based on other examples of communist regimes emerging from long periods of one-man rule—post-Stalin Soviet Union and post-Mao China—a loosening up and even inner turmoil are possible. In such a situation, Belgrade and Moscow would be likely to watch the situation closely and to look for opportunities to influence events. Moscow, however, would likely be cautious about appearing too eager to promote ties for fear of alienating Yugoslavia, which remains particularly sensitive about Soviet motives. []

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Collective Leadership

In the event of Hoxha's incapacitation or demise, a collective leadership grouped around Chairman of the People's Assembly Alia, Premier Carcani, Minister of Industry and Mines Celiku, and the heads of the security organs would probably take control initially. Such a group is apparently already evolving as Hoxha withdraws from the day-to-day affairs of the regime. Alia almost certainly would eventually try to assert himself as *primus inter pares*, and a power struggle—based on ideological differences, personal interests, and even clan antagonisms—would be probable. No individual, however, would likely be capable of duplicating Hoxha's absolute control over the country. []

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From what little information we have, it appears that differences in the leadership over foreign policy are between those who see ties to the outside world as a way to surmount some of Albania's economic difficulties and those who favor continued isolation as part of an overall policy of political orthodoxy. At least for now the disagreements do not appear to pit Western-

oriented against Eastern-oriented factions. []

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Available evidence indicates that most Albanian leaders prefer independence from both Eastern and Western blocs. They probably calculate that economic assistance from the Warsaw Pact would be limited and would come with unacceptable political strings attached. They likely also realize that any move toward Moscow would increase Belgrade's inclination to interfere. Moreover, most younger technocrats appear to support Alia's apparent commitment to developing Western economic ties, increasing the chances that a post-Hoxha leadership would continue this policy at least for the near term.

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Nonetheless, we do not rule out the possibility that Moscow might eventually regain significant influence, especially if the post-Hoxha regime should split into irreconcilable factions. In a power struggle, some hard liners might decide to turn to the Soviets for help, calculating that closer ties with Moscow would be an acceptable price to pay for domestic power. []

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